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SOFT DRINKS □ BEER □ BOTTLED WATER □ WINE □ POWDERS □ JUICES □ SPIRITS

JULY 22, 1983

Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

AN HBJ PUBLICATION

Miller, Sapporo sign contract for Miller export

MILWAUKEE—Miller High Life Beer will be exported for sale in Japan starting this summer, under a multi-year agreement announced recently by executives of Miller Brewing Co. and Sapporo Breweries Ltd.

Earlier this year, Miller announced it had signed an agreement with Carling O'Keefe Breweries of Canada Ltd., authorizing it to brew and market Miller High Life in that country.

The export and marketing

(Continued on page 7)

BI goes monthly

Effective with the next issue, Beverage Industry is changing its frequency to monthly. See "Editorial," page 42.

BI Week

• In the wake of FDA's approval of aspartame for use in soft drinks, NSDA and two other "interested parties" were considering "their options". Among them: an official comment in response to the ruling asking that the approval be stayed, pending completion of additional studies. No major soft drink franchise firms appeared to be ready to test market an aspartame-sweetened prod-

(Continued on page 37)

New co-op services give small bottlers big clout

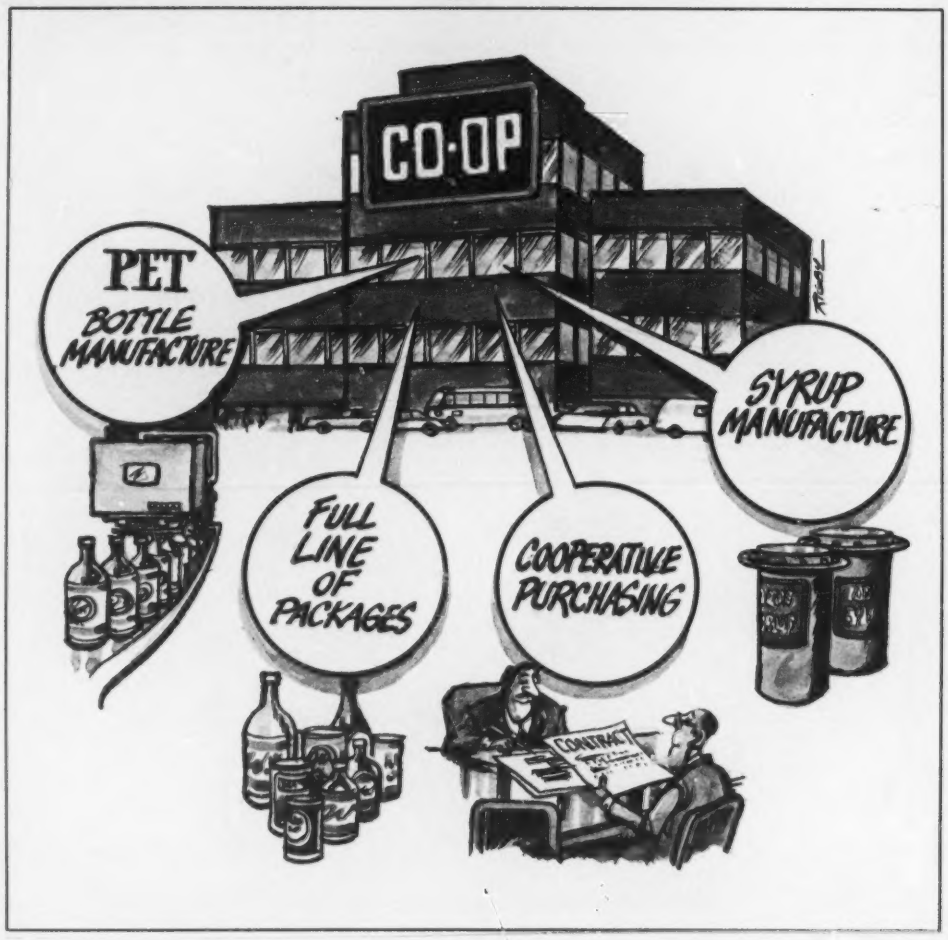
by Holly Klokis

SPECIAL REPORT—Some 15 years ago, a strange evolution began taking place in the beverage industry: small bottlers, unable to afford to install can lines, grouped together pooling their money and opened centrally located canning cooperatives.

At its inception, the sole function of the cooperative was to package cans for its members. Today, many of those same co-ops offer a host of services: high speed multiple canning and bottling lines, cooperative purchasing, PET self manufacture, and, in some cases, even own franchises.

The benefits for the co-op members are strictly bottom line. Take co-op buying, for example. Calls to a number of general managers revealed that co-ops are purchasing a lot more than just cups for their members these days. Vending machines, crowns, caps, bottles, sugar, HFCS, coolers, water treating chemicals, cartons, paper wraps, trucks and tires are being purchased by the co-op and then sold to members for just a fraction more than cost.

"Cooperative buying gives many of the small bottlers the purchasing power of larger plants," says Raymond Fisher, general manager of Laurel Packaging, Inc., a Pepsi co-op in Johnstown, PA. In addition to the price advantage of being able to buy in large lots, Fisher also mentioned the shorter delivery time afforded larger accounts.



Typically, when selling purchased goods to bottlers, a co-op will charge the cost of the items plus a handling fee, somewhere around 1%. Profit, here, is not the objective: it's service.

Many co-ops that started out with just a canning line have expanded to also produce a full line of glass and 2-L packages.

The result has been the closing of many smaller bottling facilities, which have now become distribution centers.

These smaller plants could not, according to Alan Woodruff, general manager of Clinton's Ditch, Cicero, NY, match the efficiencies and low cost of the high speed bottling lines that many co-ops have. And, "the high cost of money prevents people from upgrading their plants," says Woodruff. Instead, the smaller plants have found it more cost efficient to put their money into one centrally located bottling line than upgrading each individual plant.

Between the high speed equipment and the large

(Continued on page 27)

Revamp food safety laws to reflect science: NSDA

WASHINGTON, DC—The soft drink and packaging industries have finally gotten their chance to implore Congress to modernize the current food safety laws, outdated by advances in science and technology since they were amended in 1958.

At recent hearings before the Senate Labor and Human Resources Committee, the National Soft Drink Association (NSDA), Society of the Plastics Industries (SPI) and other food industry groups stressed the need to revamp the policies that led to the saccharin and acrylonitrile controversies of the recent past.

Laws must be adapted to be consistent with contemporary science. Otherwise, government "could be forced to

(Continued on page 26)

BI Package of the Week

Canada Dry's free carry-all give-away helps promote multiple purchases; about two-thirds of all Canada Dry bottlers are participating. See page 25.

Beverage Industry

Canada Dry sales up 9% despite new competition

NEW YORK—Canada Dry and A.C. Nielsen reported first quarter sales of Canada Dry's mixers increased 9% over a year ago. This sales increase includes Ginger Ale, Club Soda, Seltzer and Tonic Water.

According to Nielsen's report, Canada Dry now boasts a 32.7% share of the mixer market for the 12 months ending March 1983, up one full share point from 1982.

Fran Mullin, president of Canada Dry USA, is optimistic and sees more growth in the mixers' future.

"Canada Dry mixers are right on top," he says. "And, despite new competitive activity from Seagram's, the Canada Dry line is showing phenomenal growth in both the New York and Maine markets, Seagram's initial launch markets."

Indeed, Mullin should be thrilled with Nielsen's New York figures. In that metropolitan area alone, Canada Dry says its mixers experienced a "dramatic" increase in the first quarter with case sales up 20% for the January-March period. In tact, Canada Dry reports it captured a 19% share of the New York mixer market in February-March alone, up 1.4 share points from a year ago. Schweppes had a 7.7% share and Seagram's 2.8%, according to the company.

Dennis E. Berberich, president of Canada Dry Bottling of New York, attributes the mixers' growth to "the outstanding local marketing and promotional programs executed by our sales management team and distributor network."

Adds Berberich, "This field performance was supported by an extraordinary media thrust from Canada Dry USA. As a result, the total mixer category increased for

(Continued on page 25)

Canada Dry mixers market share

February-March total U.S. market share percentages

	1981-82	1982-83	Point Change	Percentage increase vs. prior year
• Sparkling Water				
—Category				+2
—Canada Dry Water	23.2	23.5	+0.3	+3
• Tonic				
—Category				+1
—Canada Dry Tonic	34.3	34.9	+0.6	+3
• Ginger Ale				
—Category				+6
—Canada Dry Ginger Ale	33.8	36.7	+2.9	+15
• Total Selected Mixers				
—Category				+4
—Canada Dry Mixers	30.9	32.8	+1.9	+11

Source: A.C. Nielsen Co.

Copyright: Beverage Industry and A.C. Nielsen Co., July 22, 1983.

Moosehead ad blitz aims at summertime sales increase

NEW YORK — Moosehead Canadian Lager Beer has stepped up its marketing campaign in the U.S. with sites on a summer sales surge.

Intensive newspaper, television and radio advertisements have begun with the theme that Moosehead is "Head and Antlers Above the Rest."

The campaign is costing more than $1 million and will run through the rest of the year.

National print ads are appearing in Omni, Sports Illustrated, Road & Track, National Lampoon and daily newspapers around the country.

Radio ads, which began in March, recount the "Legend of Moosehead," and television commercials, which began in May, are being clustered around peak audience programs like news and sports.

In addition, the Moosehead sales promotion programs, both for restaurants and retail stores, has expanded. The centerpiece of the instore materials is a 5 ft. "giant bottle" floor stacker capable of

(Continued on page 28)

$145 price-off coupon offer accompanies 12-pack return

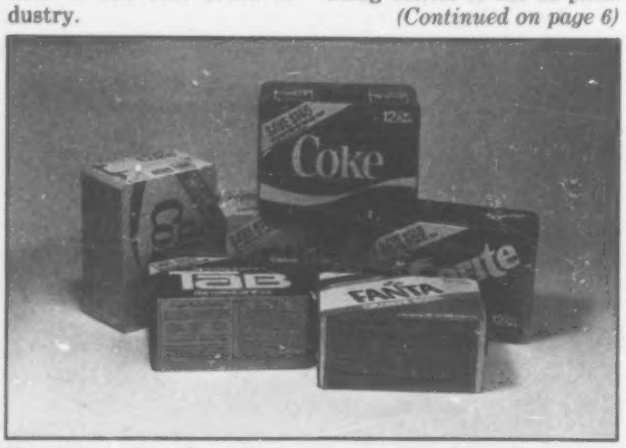
by Lane Stewart

ATLANTA, GA—The 12-can-pack is back at The Atlanta Coca-Cola Bottling Company. To mark its return as a permanent part of the company's packaging mix, Bill Hoffman, vp-sales and marketing, has spearheaded what is believed to be the biggest on-package coupon offer to date in the soft drink industry.

The promo features a combined savings of $145 at four Atlanta area attractions: Six Flags Over Georgia theme park, the Westin Peachtree Plaza Hotel, Georgia Theatre Company Theatres (including those in Macon, GA), and any greater Atlanta location of Chick-fil-A.

Package manufacturers have long touted the advertising merits of the 12-pack.

(Continued on page 6)



The Atlanta Coca-Cola Bottling Co. is using Mead Packaging's Duodozen, marking the return of the 12-can pack.

Citrus Central accepts first grape producer

ORLANDO, FL — Citrus Central, Inc., an agricultural marketing and supply cooperative based here, has announced it has finalized a membership agreement with Yakima Valley Grape Producers, Inc. of Grandview, WA.

Under terms of the agreement, Yakima Valley Grape Producers will be a full participating member in Citrus Central utilizing its marketing, supply and data processing services.

According to E. C. Mooney, senior vice president for industry and public affairs, Citrus Central will provide expanded markets for Yaki-

(Continued on page 24)

Lipton scores U.S. first: isotonic in aseptic pkg.

MIAMI — Thomas J. Lipton Inc. has introduced Pripps Pluss, a quick-energy beverage, in the aseptic Brik Pak carton in southern Georgia and Florida, according to Rita J. Simpson, public relations manager with Brik Pak, Inc., Dallas.

Pripps Pluss was developed by A. B. Pripps, a 150-year-old manufacturer of malt beverages, mineral water, soft drinks and fruit juices, headquartered in Stockholm, Sweden.

Lipton has been licensed by Pripps to manufacture the product using the Pripps formula and market it in the U.S., Simpson said.

"Lipton chose Florida for the initial introduction specifically because it is a Gatorade stronghold," said Norman Waterman, president of Pripps, Inc., citing the new beverage's well-established, best-selling competitor.

"We have been researching Pluss for more than five years," explained Waterman. "Our initial work was done in cooperation with the Swedish Olympic teams. In the months and years since, we have consulted with the preeminent sports institutes and physiologists in the world to produce a beverage unlike any other."

The challenge Pripps claims it faced in developing Pluss was to create an electrolyte drink that tasted good enough so athletes would be encouraged to drink enough to get the liquid and glucose replacements they needed. Pripps also wanted to improve taste.

In the process, researchers also wanted to improve the energy factor as well, said Waterman.

"The key to this type of beverage is how fast its essential components enter the bloodstream," Waterman said, claiming, "Pluss's formula allows essential elements to be absorbed by the body when it needs it the most — during actual physi-

(Continued on page 8)

Ready-to-serve packages boost citrus juice sales

LAKELAND, FL—Most citrus products distributed in ready-to-serve cartons, bottles and plastic were up in market share percentage points in 1982, while the brunt of the losses were taken by frozen concentrated citrus juices and synthetics, says *Citrus Digest* which is published monthly by the Florida Department of Citrus Market Research Department.

Last year, frozen concentrated orange juice (FCOJ) was down 3%, canned orange juice down 17% and ready-to-serve, somewhat of a bright spot, was up 2%, according to George DeJager, market research director with the Florida agency. DeJager cited, however, that year-end Nielsen figures show no change in orange juice trends from year to year.

According to Nielsen, DeJager reported, FCOJ was down 2%, canned was down 8% and ready-to-serve was up 2%, concluding the entire juice market showed no change from 1981. The citrus department's research showed, in slight contrast, that the total orange juice market was down by 2% in total market share.

DeJager said 1982 was the third year in a row over 800 million gallons of citrus juice were sold at the retail level, and those 800 million gallons accounted for the $2.5 billion in sales.

DeJager projects a resurgence in the orange juice market this year, especially in the ready-to-serve category.

"Orange juice is starting to take off again," he predicts. "The ready-to-serve has a lot to do with that."

The total grapefruit juice market was down 1%, according to DeJager and *Citrus Digest* research. The total number of gallons sold at the retail level was down by 3% from year to year, with ready-to-serve down 7% and canned, a bright spot, up 4%.

"Unfortunately, grapefruit juice has not done very well in recent years," he added.

Other 100% fruit juices were up in total gallons by 3% last year, while total juice drinks were down 4%, DeJager reports. The biggest losers, he says, were frozen concentrated synthetics and powdered breakfast drinks. □

Consumer purchases of fruit juices and fruit drinks

(Based on December to November season)

	Millions of Single Strength Gallons Purchases Year-To-Year			Monthly Share of Fruit Beverage Market		
	1982	1981	% Change	1982	1981	Point Change
Total Fruit Beverages	1496.74	1509.91	−1%	100.0%	100.0%	0.0 pts.
Total Fruit Juice	1122.44	1119.56	NC	77.6	75.0	+2.6
Total Orange Juice	683.71	698.73	−2	46.7	44.7	+2.0
Frozen Concentrated Orange Juice	500.23	517.54	−3	33.6	32.3	+1.3
Ready-To-Serve In Bottles, Cartons, Plastic	159.33	156.36	+2	11.5	10.8	+.7
Ready-To-Serve In Cans	14.64	17.59	−17	1.0	.9	+.1
Total Grapefruit Juice	66.45	60.40	+10	4.1	4.1	0.0
Frozen Concentrated Grapefruit Juice	14.50	12.93	+12	.9	.8	+.1
Ready-To-Serve In Bottles, Cartons, Plastic	13.27	14.44	−8	.9	.9	0.0
Ready-To-Serve In Cans	38.32	32.86	+17	2.3	2.4	−.1
Total Other Fruit Juices	372.27	360.42	+3	26.8	26.2	+.6
Frozen Concentrated Juices—Other Flavors	121.42	101.15	+20	8.5	7.4	+1.1
Ready-To-Serve In Bottles, Cartons, Plastic	158.59	177.14	−10	11.9	12.3	−.4
Ready-To-Serve In Cans	87.96	91.79	−4	6.0	6.2	−.2
Total Fruit Drinks	374.32	390.35	−4	22.4	25.0	−2.6
Total Orange Flavored Drinks	126.81	140.11	−9	8.1	9.3	−1.2
Frozen Concentrated Regular and Synthetics	15.57	24.09	−35	.9	1.2	−.3
Ready-To-Serve In Bottles, Cartons, Plastic	20.41	20.51	NC	1.0	1.3	−.3
Ready-To-Serve In Cans	9.95	10.08	−1	.4	.8	−.4
Powdered Instant Breakfast Drinks-Orange	80.88	85.41	−5	5.7	6.1	−.4
Total Other Flavored Drinks	247.50	250.22	−1	14.3	15.7	−1.4
Frozen Concentrated Drinks-Other Flavors	81.83	94.36	−13	3.4	4.0	−.6
Ready-To-Serve In Bottles, Cartons, Plastic	81.43	78.06	+4	5.9	5.8	+.1
Ready-To-Serve In Cans	77.96	77.81	NC	4.6	5.9	−1.3

Source: Florida Dept. of Citrus

Copyright: Beverage Industry, July 8, 1983

Brazil: frozen concentrated orange juice, short-term outlook (July-June, crop year)

(Million gallons, 42° brix)

	1980-81	1981-82	Estimate 1982-83	1983-84
Beginning stocks	21	13	6	32
FCOJ production	165	202	193	209
Total availability	186	215	199	241
Export	168	203	161	165
Domestic consumption	6	6	6	7
Ending stocks	13	6	32	69

Source: Schnittker Associates, Washington; Canadean Limited

Copyright: Beverage Industry, July 22, 1983

Share of citrus in total juice, nectar, fruit juice drink consumption

(% volume)

	1981	1985	1990
Germany (BRD)	63	57	55
UK	73	70	67
Spain	34	38	37
Italy	9	10	11
France	52	50	48
Netherlands	49	48	47
Belgium	71	65	60

Source: Canadean Limited, 1983

Copyright: Beverage Industry, July 8, 1983

Outlook for consumption of juices, nectars, fruit juice drinks

(volume)

	% per annum 1981-85	% per annum 1985-90	Forecast 1990 million litres
Germany (BRD)	3.9	2.1	2200
UK	8.8	4.7	925
Spain	5.3	4.4	267
Italy	7.7	3.8	267
France	7.7	6.4	601
Netherlands	1.5	0.9	323
Belgium	3.5	5.8	155

Source: Canadean Limited, 1983

Copyright: Beverage Industry, July 22, 1983

Firm sees juice declining in Europe, Brazil markets

LONDON—Having more than doubled to 3.4 billion liters in the decade to 1982, European fruit juice consumption has been predicted to decline for the rest of the 1980s, says a new Europe-wide industry survey.

Canadean Limited, located here, conducts business planning and research for the food and beverage industries and presented its results at a recent seminar on the European juice industry here.

The survey shows that, although likely to grow considerably faster than most other soft drinks categories, sales of fruit juice in Europe are not expected to maintain the remarkable double-digit growth rates which characterized the industry during the 1970s, Canadean reports.

In the key German market, which now accounts for some 37% of total European fruit juice volume, consumption is forecast to expand at around 4% a year in the period to 1985, and then decelerate further to just over 2% a year for the next five years, according to Canadean.

However, less developed

markets such as France, Spain and the United Kingdom are likely to outperform Germany, with projected annual growth rates over double that anticipated for the German market, but still below their own "historic" consumption trends, says the survey.

As far as flavors are concerned, reports Canadean, citrus flavors (especially orange) are forecast to lose market share in the years ahead, giving way principally to apple, and to a lesser extent, to pineapple and exotic fruits such as passion fruit and mango.

In Germany, citrus flavors are expected to drop from 63% of total juice consumption in 1981 to 55% in 1990; in the UK from 73% to 67%, the survey projects.

Canadean's survey also included the latest numbers from Brazil. According to the survey, slower growth, coupled with the swing toward non-citrus flavors, may have serious implications for Brazil's rapidly developing orange juice industry, which is already heavily dependent on exports to Europe.

A paper presented at the seminar by Schnittker Associates, Washington, DC shows

"Sales of fruit juice in Europe are not expected to maintain the remarkable double-digit growth rates which characterized the industry during the 1970s."

that in 1983-84, (July-June crop year), while production of frozen concentrated orange juice is expected to rise by 8% to 209 million gallons, exports from Brazil are likely to rise by less than 2.5%, so that the carry-over during the coming season will more than double to 69 million gallons, Canadean reports.

Another factor behind the decelerating juice offtake from Brazil, is the growth of lower juice content juice drinks, says Canadean. These range all the way down to more than 6% juice and have been especially buoyant in Germany. According to a paper presented by the Rickersten Co. of Hamburg, Canadean found, juice drinks and lemonades have grown by 9% a year since 1977. This represents a market of some 212 million liters in Germany alone. According to Canadean, they include major brand names like Sunkist, Fanta (Coca-Cola) and Capri-Sonne (Capri Sun.)

Full seminar proceedings and survey are available from Canadean Limited, 1 Langham Place, London, W1N 7DD. □

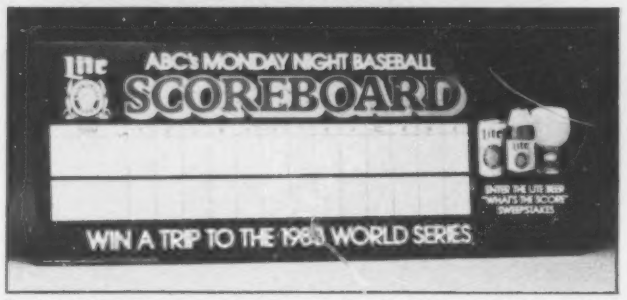
PepsiCo announces 3 appointments

PURCHASE, NY—D. Wayne Calloway has become executive vice president and chief financial officer of PepsiCo Inc., replacing Herman A. Schaefer, who continues as director and financial consultant.

Terrance A. Collins elected a senior vice president and head of Food Service Ops., which includes Pizza Hut, Taco Bell and PepsiCo Food Service International.

Michael H. Jordan has been elected a senior vice president and president of Frito-Lay Inc.

Miller Lite sweepstakes ties baseball to beer



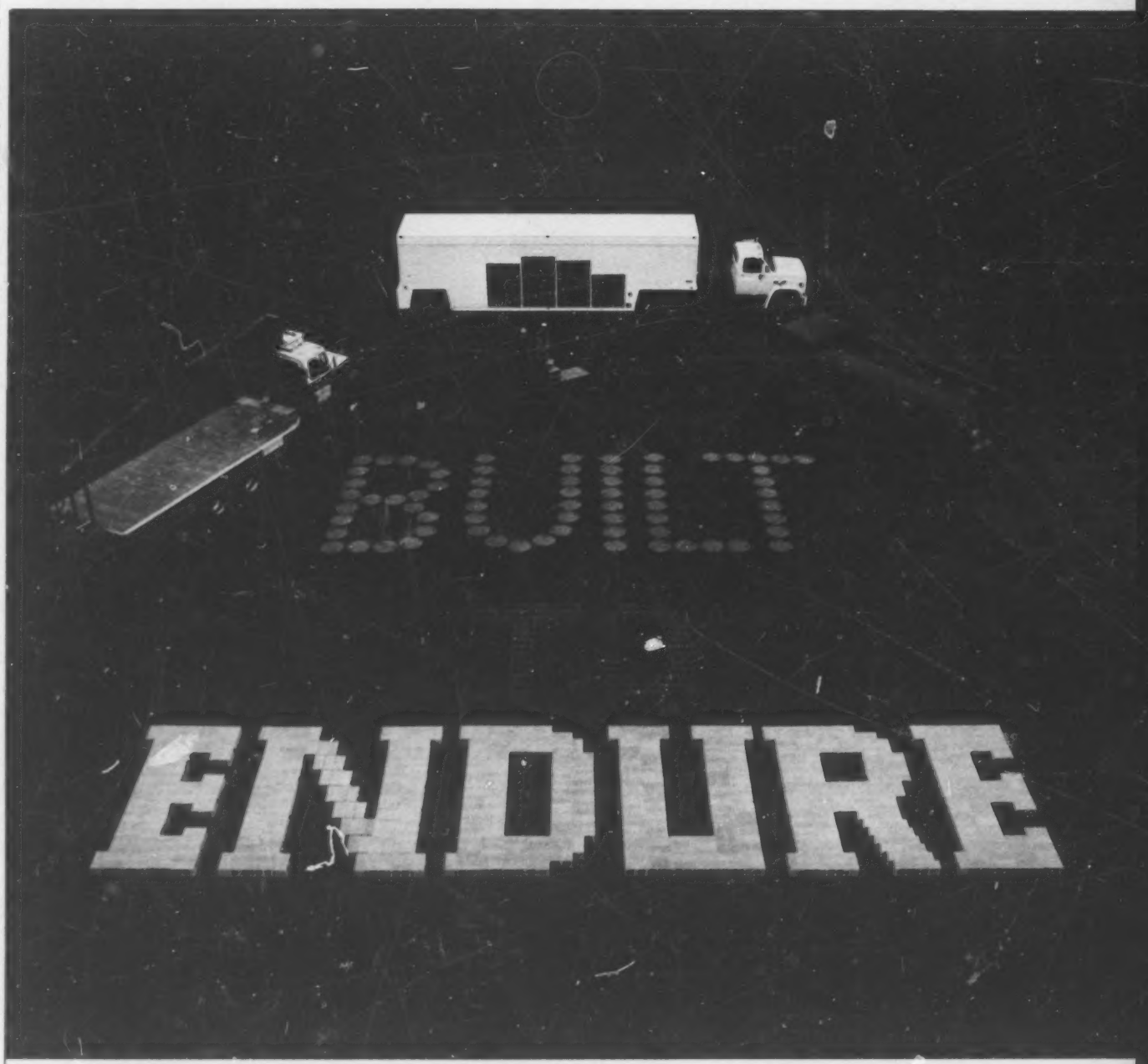
Participating taverns and restaurants will receive scoreboards to record inning-by-inning scores.

MILWAUKEE — Monday Night Baseball scores will be the key to entries in the new Lite beer "What's the Score" sweepstakes. The contest is currently running and ends Aug. 22.

To be eligible, entrants must correctly complete the score from an ABC-televised Monday Night Baseball game on entry forms available at taverns and restaurants. Grand prize winners in the contest will receive trips for two to the first two games of the 1983 World Series, according to Miller spokesman Steve Forsyth.

Twelve grand prizes will be awarded and color television sets will be given to 100 first prize winners.

Participating taverns and restaurants received scoreboards to record inning-by-inning scores of each Monday night game. Other point-of-sale materials available include poster and display counter cards. □



We build the 8.2L Fuel Pincher Diesel tough...and we have the data to prove it. Lab dynamometer tests. Independent research durability runs. High mileage customer reports. Together, they verify that the Fuel Pincher is tough.

Recently we took two Fuel Pinchers that had logged over 300,000 miles each, disassembled them, and examined them for wear in front of a corps of industry journalists. Most major moving parts still met new engine specifications. Now that's not a guarantee for every Fuel Pincher, but it does help confirm our expectations.

What's more, this tough Detroit Diesel is completely rebuildable. So the life of each Fuel Pincher can be extended to log even more fuel saving miles. As much as 90% to 98% more MPG than comparable gasoline engines in similar applications. That's almost twice the mileage!

So specify more than economy and performance for your next medium-duty truck. Specify diesel durability. Insist on the Fuel Pincher Diesel.

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Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

AN HBJ PUBLICATION

USBA elevates Shea to replace King as president

WASHINGTON, DC—Donald B. Shea, an executive with the United States Brewers Association since 1978, has been selected to replace retiring Henry B. King as president.

Shea has served as vp-director of USBA's Alcohol Programs Div. and has worked closely on the development and implementation of the association's alcohol awareness programs. He is a graduate of Colgate University and George Mason University School of Law and is a member of the Virginia Bar, the Federal Bar in the Fourth Circuit and the American Bar Association.

King, who has served as president of USBA since 1962, will be retained as a consultant and advisor to the association commencing Jan. 1, 1984. □

FTC approves Tropicana sale to Beatrice

WASHINGTON, DC—Beatrice Foods Co.'s 1978 acquisition of Tropicana Products Co. did not violate the Clayton Antitrust Act, the Federal Trade Commission (FTC) has decided.

For five years, Beatrice has

(Continued on page 37)

BI Now Package

Reynolds Aluminum has introduced the quadruple-necked Q/Light can, which is the lightest in the industry. See page 12.

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Entering the electronic age

Computers solve bottlers' nickel-and-dime problems

by Laura Martinez

PROBLEM: A bottling company has 22 distribution points and four production plants. Managing inventory levels and making sure essential supplies are on hand is a laborious task involving the time of virtually every level of management, plus clerks.

SOLUTION: Install computers with predetermined simplistic programs which will maintain inventory at sufficient levels and alert production to immediate and long term needs.

"That was the situation we faced when we undertook a job with one of the East Coast's largest multi-state operations," explains George Shiebler, an executive with Profit Management Development (PMD) Inc., a consulting firm based in Barrington, IL.

"Because the firm was also looking to acquire additional territories, the chief executives wanted to free up as much capital as possible. They felt—and they were right—that they had too much of their money tied up in excess inventories.

"Tying everything together so they (bottlers) can easily schedule production is important," he continues. "The computer accumulates all the information from the line items and tells production it better have so much of a certain product on hand, such as concentrate, caps, bottles, labels, etc., within the next few days." All of this information comes from every warehouse the bottler owns, he adds.

For example, Shiebler says, PMD helped the East Coast bottler set inventory levels on the computer at each distribution point—a system he called "maximum/minimum inventories." The company may have seven sales days of a certain brand in its inventory (the maximum) and doesn't want to have less than two sales days (the minimum) of the brand. Predetermined calculations are made manually and then programmed into the computer, he explains.

"Each warehouse counts inventory every night and someone phones information into the computer, telling it the warehouse needs so many

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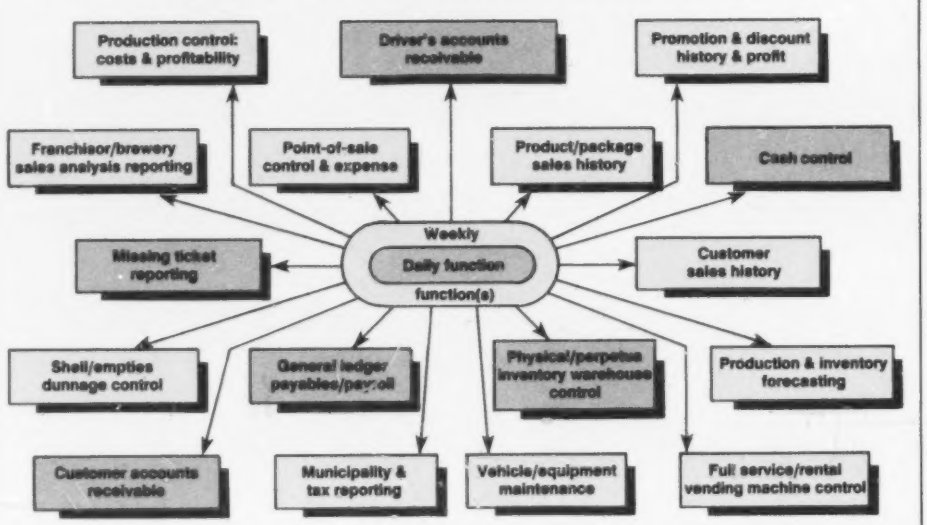
Bottling/distributor processing requirements



Source: Display Data Corp.

Ethics of food safety explored at conference

WASHINGTON, DC—Most discussion of food safety revolves around scientific concepts such as risk assessment and "de minimis" levels of food additives. But what are the ethical considerations?

Next spring, the Consumers Union Foundation (CUF) will hold a conference here to explore the ethical problems in food safety decisions. The project is funded by a $120,000 grant from the National Science Foundation.

"The debate over food safety may prove to be the opening battle in a fundamental reassessment by our society of the need for and limits to health and safety regulation," says CUF.

Industry representatives will be invited to attend the May conference, and CUF will publish a final report based on the proceedings. The meeting will focus on three "particularly critical" issues, CUF explains:

- treatment of scientific uncertainty;
- majority rights versus minority needs, and
- acceptable risk.

These will be explored in the context of three current food safety policy controversies — saccharin, lead in canned food and diethylstilbestrol (DES) in animal feed. The background paper on saccharin was written by Michael Taylor, a former assistant to the FDA commissioner now in private law practice, and Richard Merrill, dean of

(Continued on page 6)

BI Report

• At presstime, Coca-Cola was preparing to sell a portion of its 36% holdings in New York Coca-Cola to three prominent blacks. The sale reportedly would take place after the NYC–C acquisition of the Philadelphia franchise is finalized. Mentioned as possible new owners of the stock are entertainer Bill Cosby, basketball star Julius Erving and businessman Bruce Llewellyn, chairman of New York-

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Richard Donegan moved to the helm of Vendo two years ago and immediately set about revitalizing one of the industry's premier vending machine suppliers.

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Sound Off

Soft drink industry landmarks of the '80's

"... If we could project ourselves out 10 years and then look backward at the 1980's, we would clearly see two more landmarks: the permanent shift to promotional discounting and the dominance of giant soft drink marketers in an ever-shrinking body of bottlers.

"These two landmarks have already begun to emerge and nothing is going to stop them. In 10 years they will have worked drastic change in this industry. Don't hope that discounting for cents-off advantage will go away, it is not going to go away. Don't hope that the big get no bigger. They are certain to get bigger. That is the inevitable result of the maturing of the franchise system and the power marketing of continuous discount pricing, unaffordable to all but a few and thus destructive to the many ..."

—Sid Mudd, president
Joyce Beverages

During his speech to the Florida Soft Drink Association Convention earlier this year.

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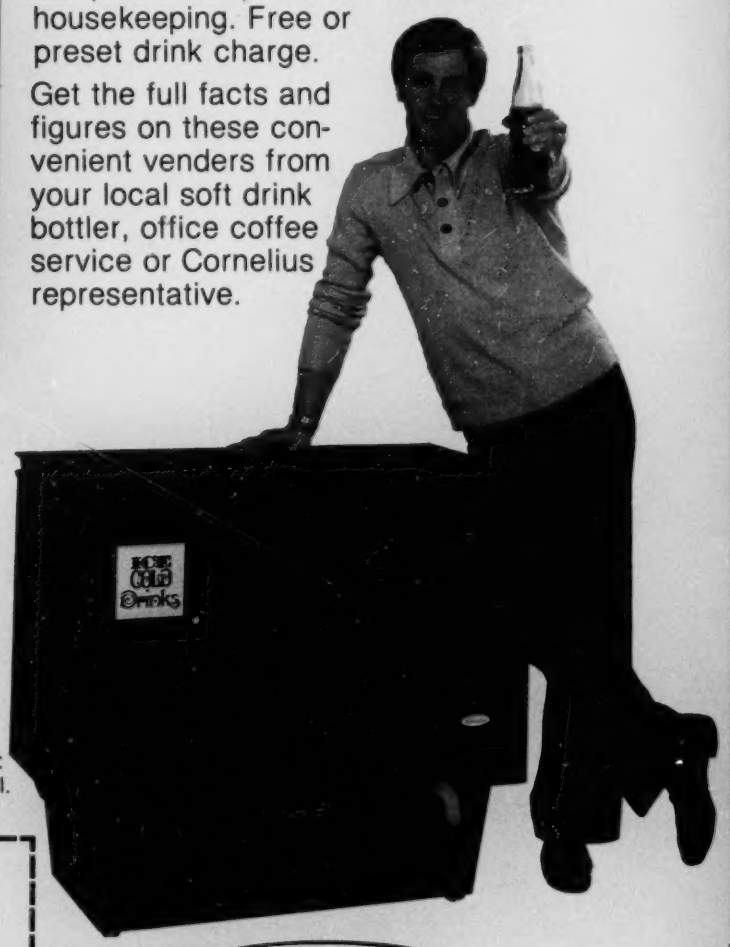

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Aseptics: 10 billion package market predicted to hit U.S. by 1990

By Luis M. Buehler, vice-president, marketing, sales and technical services, Combibloc Inc., Columbus, OH

Aseptic packaging in flexible paperboard cartons has only begun to gain a significant degree of acceptance in the U.S. during the past three years. However, in offshore markets, it has been established since the early '60's.

Why?

In a brief word—"energy."

The fundamental advantage of this type of packaging is energy cost savings, which includes packaging materials, plant operations, product storage, distribution and refrigeration. In each phase of operation, energy consumption is reduced or eliminated, resulting in tremendous cost savings over a given period of time.

In North America, this key advantage only became a critical consideration during the past eight years as energy cost exploded around the world. Today, we are enjoying a situation of oil oversupply. But when one considers the unstable and volatile political climates in many of the key oil-producing countries, especially the Middle East and Mexico, one realizes over-supply and reduced pricing cannot be sustained.

In a generic sense, aseptic packaging offers these benefits:

- It reduces material costs by 25-30%, compared to tinplate or glass.
- It is bio-degradeable and therefore an unlikely target for EPA involvement.
- It is a renewable resource of abundant supply.
- It can be easily incinerated and has an energy recovery factor in reclamation plants.

In Blocpak's market entry phase, noncarbonated beverages, such as juice and juice drinks, still wines and water, are key areas for expansion.

Since the FDA's regulation on use of H_2O_2 as a packaging sterilant early in 1981, and our subsequent compliance with the 0.1 ppm residue ruling, we have made significant increases in market share.

In 1982, some 25 million aseptically-packaged units containing approximately 15 million tons of liquid product were sold around the world. In comparison, approximately 50 billion packages containing 75 million tons of product were packaged non-aseptically.

In terms of numbers of containers, roughly 35% are aseptic. In terms of liquid products, 15% were packed aseptically in 1982. As our industry continues its annual global generic growth of 10%, this ratio will change in favor of aseptically-packaged products.

Juice drink opportunity

A strong growth trend in the beverage market has, of course, been exhibited in the U.S. For example, the juice market (up to 50% content) has enjoyed an enormous growth in consumption: from 1.45 billion gallons in 1977 to 2.25 billion gallons in 1981—almost double in four years. This is the market area from which acceptance and growth of aseptic packaging will initially come.

Hawaiian Punch was the first brand name product to be distributed nationally. Since its introduction in February 1983 in 250 ml. (8 oz.) sizes, both sales and market share have increased.

Indian Summer has just launched its brand of apple juice and apple cider in the 250 ml. size in 26 states. The company's decision to enter aseptic packaging was based on the marketing opportunities including long-term shelf life; expansion into new non-retail market areas such as food service, vending and airlines; ability to test new fruit juice drinks outside the apple category in the 10-30% juice content; and a chance to enter new geographical areas.

Package preference

Once consumer acceptance is established with the low-priced, single-service juice drinks, there will be a gradual move into higher-quality juices.

Today, the bulk of purchases are in the single service 250 ml. size, either in singles or multi-packs of three, providing the ultimate consumer convenience. However, 10- and 12-oz. or 300- and 350-ml. sizes will appear to compete directly with the canned soft drink market. One-liter sizes will be an influence in high-quality juices.

Multi-packs of six and nine will enter the market shortly for sizes up to a liter. You

"... 10- and 12-oz. or 300- and 350-ml sizes will appear to compete directly with the canned soft drink market."

Aseptic packaging: 1990 (in billions of packages)

Juice and juice based products —	6 billion
Custards, Soups, Puddings product of higher viscosities —	2 billion
Still-Water, Wine, Mixes —	1.5 billion
Dairy —	.5 billion
	10.0 billion

Source: Combibloc Inc. **Copyright: Beverage Industry, August 1983**

Advantages of the Combibloc system

- Customers do not have to perform any paper converting functions such as priming of the vertical seam.
- Seams are hermetic and do not require seam taping during the filling stage.
- Since the vertical seam is skivved and secured during manufacture of the carton sleeves, oxygen permeation cannot occur at this entry point.
- Rigid, well formed cartons result from the high quality raw materials and strict quality methods exercised in manufacture of the multi-layered substrate.
- The CF 5,000 and CF 10,000 fill .5-L and 1-L size packages at rates of 5,000 and 10,000 packages per hour respectively. The CF 6,000 fills any combinations of three sizes; 200-, 250-, 300-, 350-, 500-ml at a rate of 6,000 packages per hour.
- If line is down due to ancillary equipment failure, sterilization can be maintained in the unit for long periods of time.

* Head space in the package allows consumers to remix liquids containing pulp or particulates, as well as shakes and liquids prone to sedimentation.

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may also see a twin-pack for liter sizes in the near future.

Other products

The wine market also holds interesting potential. Consumption has increased steadily from 413 million gallons in 1977 to 495 million gallons in 1981. Projections are that this is a market poised for some exciting developments. It is extremely competitive and new concepts in packaging and distribution are being assessed already by industry leaders. Both single-service sizes or institutional use, 750 ml. and 1-liter bottle size equivalent for consumers could become important factors.

The water segment of the industry also offers promise. Consumption has risen from 350 million gallons in 1977 to 550 million gallons in 1981, worth an estimated $660 million.

As the quality of water becomes a more critical consumer issue, this market will grow as it has already in countries such as Spain. Today, bottled water is available basically in half-gallon and gallon sizes. Aseptic packaging will fill the requirement for smaller size packages. Water is the most delicate of all liquids and it is a tribute that it can be packaged using the aseptic technology while still maintaining its purity.

A key strategic, long-range objective for Combibloc is to develop markets where our aseptic packaging technology can provide solutions for products with higher viscosities and product particulates, ranging from condiments, puddings and custards, to soups and even fruit salads.

In England, "Birds" custard is available ready-to-serve in Combibloc packages. In Europe, puddings of all flavors, are readily available. In Canada and Australia, whipping cream and toppings are being marketed.

The dynamics of the $60 billion packaging market in the U.S. will yield tremendous business to new, competent, technology-oriented suppliers. Importantly, however, aseptic packaging is not a substitute for other types of packaging, but rather a complement applicable where cost-related benefits are weighed against other important criteria. Carbonated beverages cannot be contained in aseptic packages at this time, and I do not foresee this as a future development. There will always be a market for cans and bottles.

There is no question that the market potential in the U.S. justifies our decision to make the investments necessary to remain a supplier to our U.S. customer base.

If by 1990, the U.S. market has progressed as we expect, we can anticipate a volume of 10 to 12 billion packages with 400-500 filling lines installed. We are committed to expansion in the U.S. and foresee exciting times ahead. □

Some representative packages in the Combibloc package are shown above. Wine in the aseptic containers are already on the market in Europe. Look for it to appear shortly in the U.S

Luis Martin Buehler

About the author

Named vp-marketing, sales and service in March, Buehler has operational responsibilities for Blocpak Canada Inc. and is managing the transfer of the Canadian operation to the U.S. which markets the Combibloc system in North and South America. Buehler was previously general manager of PKL-International Div. As general manager for the PKL International Div., Buehler has been the initiator in introducing the Combibloc aseptic packaging system to North America in 1980.

Transferred from Europe in June, Buehler is now vp of Combibloc Inc. responsible for marketing, sales and technical services in North America.

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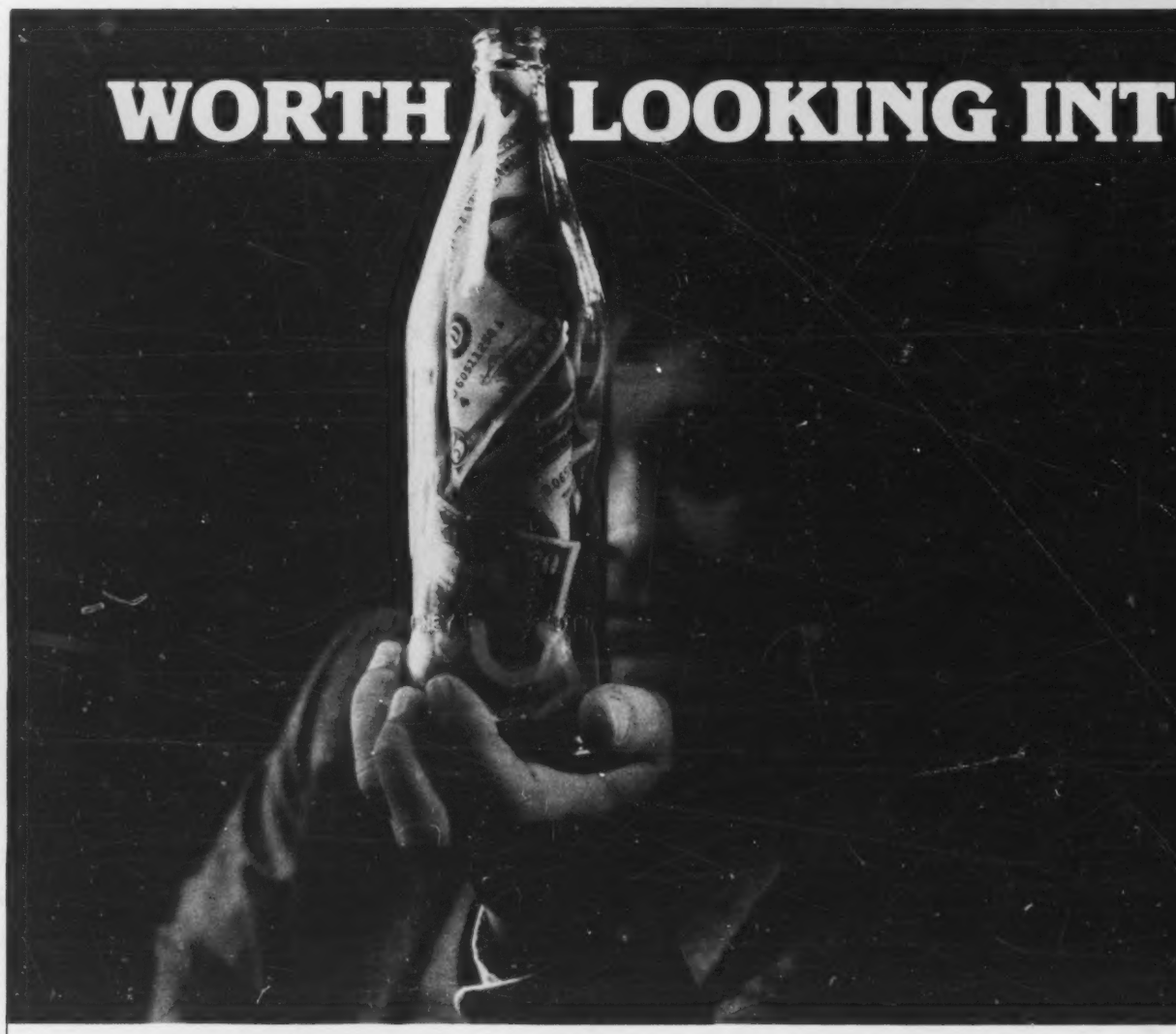

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Beverage Business Indicators

Selected Consumer Price Index (base: 1967 = 100)

	February 1983	March 1983	% Change	March 1982	Mar. 82 vs. Mar. 83 % Change
Cola	312.5	314.1	0.5	308.6	2.4
Other carbonated soft drinks	147.4	146.7	(0.5)	143.4	2.3
Noncarbonated drinks	140.6	141.1	0.4	138.9	1.6
Wine	234.7	239.1	1.9	235.3	1.6
Beer and ale	217.4	219.8	1.1	209.2	5.1

The Consumer Price Index (CPI) is a measure of the average changes in prices over time in a fixed "market basket" of goods and services. The index measures price changes from a designated reference date which equals 100 (usually 1967). An increase of 22 percent, for example, is shown as 122. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $12.20.

Source: U.S. Dept. of Labor Bureau of Labor Statistics

Closures for Beverages (thousands of gross)

	November 1982	December 1982	% Change	December 1981	Dec. 81 vs. Dec. 82 % Change
Metal (for spirits, wines)*	53,270	38,290	(28.1)	44,536	(14.0)
Plastic (for spirits, wines)*	120,591	104,464	(13.4)	78,619	32.9
Metal crowns (beer & soft drinks)	15,077	13,216	(12.3)	17,314	(23.7)
Soft drinks (convenience types)	235	175	(25.5)	1,576	(88.9)
Soft drinks (conventional types)	3,926	4,735	20.6	4,807	(1.5)
Beer (convenience types)	9,084	6,348	(30.1)	7,765	(18.2)
Beer (conventional types)	1,832	1,958	6.9	3,166	(38.2)
All metal closures other than crowns	5,591	5,791	3.6	4,033	43.6

*thousands of units

Source: U.S. Dept. of Commerce Bureau of the Census

Bottle Shipments (thousands of gross) (not seasonally adjusted)

	November 1982	December 1982	% Change	December 1981	Dec. 81 vs. Dec. 82 % Change
Glass Bottle Production Total Bottles:	22,906	21,013	(8.3)	23,272	(9.7)
Beverage: Refillable	314	405	29.0	360	12.5
Nonrefillable	4,189	4,012	(3.8)	3,681	9.0
Beer: Refillable	41	39	(4.9)	132	(70.5)
Nonrefillable	7,562	6,708	(11.3)	8,065	(16.8)
Liquor	1,260	1,038	(17.6)	1,117	(7.1)
Wine	686	648	(5.6)	711	(8.9)
Plastic Bottle Production*					
Carbonated beverages	205,048	249,581	21.7	213,284	17.0

*thousands of units

Source: U.S. Department of Commerce Bureau of the Census

Selected Producer Price Index (base: 1967 = 100)

	February 1983	March 1983	% Change	March 1982	Mar. 82 vs. Mar. 83 % Change
Soft drinks	325.6	325	(0.2)	317.5	2.4
Alcoholic beverages	202.5	203	0.2	195.1	4.0
Beverages and beverage materials	261.6	261.8	0.1	255.7	2.4
Packaged beverage materials	325.1	326	0.3	325.8	0.1

The Producer Price Index (PPI) is a measure of the average changes in prices received in primary markets of the United States by producers of commodities in all stages of processing. These data were formerly called the Wholesale Price Index. The name was changed to more accurately reflect the coverage of the data. PPI's are designed to be interpreted in the same manner as the CPI.

Source: U.S. Department of Labor Bureau of Labor Statistics

Imported Beverages (proof gals)

	January 1983	February 1983	% Change	February 1982	Feb. 82 vs. Feb. 83 % Change
Beer*	14,242,179	11,763,817	(17.4)	11,457,293	2.7
Whiskey	9,588,875	4,278,098	(55.4)	4,650,081	(8.0)
Brandy	633,657	402,994	(36.4)	334,325	20.5
Gin	356,085	242,108	(32.0)	264,884	(8.6)
Rum	103,626	40,234	(61.2)	37,034	8.6
Cordials & liqueurs	713,497	621,083	(13.0)	500,128	24.2
Others	974,742	570,083	(41.5)	536,073	6.3
Total	26,612,661	17,918,417	(32.7)	17,779,819	0.8
Sparkling wines	1,011,300	506,457	(49.9)	332,495	52.3
Still wines, table	11,471,264	4,207,467	(63.3)	6,006,026	(29.9)
Still wines, fortified	236,174	110,488	(53.2)	93,542	18.1
Vermouth	291,689	187,789	(35.6)	113,075	66.1

*Includes ale, stout, porter

Source: National Association of Beverage Importers, Inc.

Sweeteners (cents per pound)

	March 1983	April 1983	% Change	April 1982	Apr. 82 vs. Apr. 83 % Change
42% Corn Syrup High Fructose Decatur, IL, tank cars, cwt.	11.25	11.25	0	NA	—
55% Corn Syrup High Fructose Decatur, IL, tank cars, cwt.	14.25	14.25	0	13.82	3.1
Sugar, liquid ind. no. 2 per cwt. solids, F.O.B. (N.E. refinery)	32.20	32.20	0	28.20	14.0

NA: Not Available

Source: The Journal of Commerce

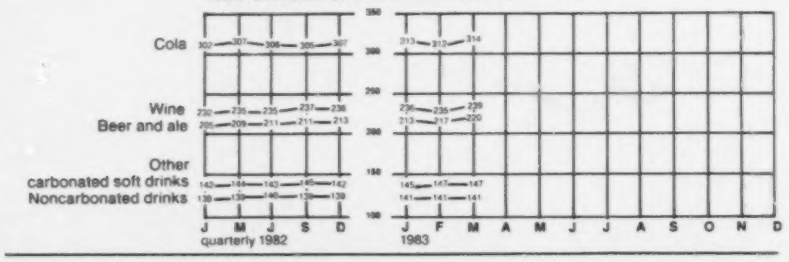
Alcoholic beverage removals (barrels of 31 gals)

	December 1982	January 1983	% Change	January 1982	Jan. 82 vs. Jan. 83 % Change
Beer	12,387,711	12,931,252	4.4	12,111,013	6.8
Wine*	33,572,136	26,610,246	(20.7)	30,124,183	(13.2)
Spirits*	28,244,078	25,675,279	(9.1)	24,915,953	3

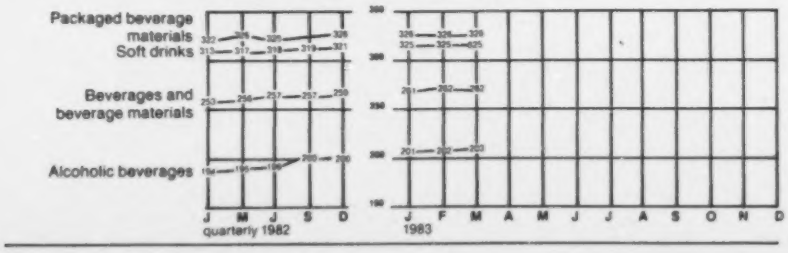
*wine gals

Source: U.S. Department of the Treasury Bureau of Alcohol, Tobacco and Firearms

1983 Consumer Price Indicators (1967 = 100)



1983 Producer Price Index (1967 = 100)



Bottle Shipments (thousands of gross)